

Consolidated Financial Results for the Second Quarter Ended September 30, 2015 [J-GAAP]
Watabe Wedding Corporation

October 30, 2015

Stock code: 4696
 URL: <http://www.watabe-wedding.co.jp>
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Scheduled date of the filing of the quarterly report: November 4, 2015
 Scheduled date of start of dividend payment: —
 Preparation of supplementary briefing materials for quarterly financial results: Yes
 Holding of any briefing session for quarterly financial results: Yes
 (for institutional investors and securities analysts)

Financial Highlights

As of and for the six months ended September 30, 2014 and 2015

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Six months ended September 30, 2014	Six months ended September 30, 2015	Year on year (percentage change)
	(millions of yen)		
(1) Consolidated financial results			
Net sales	20,577	20,806	1.1
Operating income (loss)	(1,452)	(982)	—
Ordinary income (loss)	(1,414)	(891)	—
Profit (loss) attributable to owners of parent	(1,094)	(1,104)	—
Profit (loss), basic per share (yen)	(110.48)	(111.47)	
Profit (loss), diluted per share (yen)	—	—	

(Note) Comprehensive income: Six months ended September 30, 2015: ¥(1,240) million (—%)
 Six months ended September 30, 2014: ¥(1,027) million (—%)

	As of March 31, 2015	As of September 30, 2015
	(millions of yen)	
(2) Consolidated financial position		
Total assets	20,732	19,436
Net assets	10,963	9,722
Shareholders' equity ratio (%)	52.6	49.7

(Reference) Shareholders' equity: As of September 30, 2015: ¥9,668 million
 As of March 31, 2015: ¥10,910 million

2. Dividends

	Annual dividends per share				Total
	1Q-end	2Q-end	3Q-end	Year-end	
	(yen)				
FY2014	—	0.00	—	0.00	0.00
FY2015	—	0.00			
FY2015 (Forecast)			—	—	—

(Note) The Company has not yet determined a forecast for the year-end dividend for fiscal 2015.

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2016

	FY2015
	Full year
	(millions of yen)
Net sales	44,000
Operating income	200
Ordinary income	260
Profit attributable to owners of parent	60
Profit, basic per share (yen)	6.06

(Note) Revision of the most recently disclosed consolidated results forecast: None

* Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2015 (Changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Application of special accounting treatment peculiar to preparation of quarterly financial statements: Yes

(Note) Refer to “2. Summary Information (Notes), (2) Application of Special Accounting Treatment Peculiar to Preparation of Quarterly Consolidated Financial Statements” on page 5 of the attached material for further details.

(3) Changes in accounting policies or estimates and retrospective restatements

(i) Any change arising from revision of accounting standards: Yes

(ii) Any change arising from factors other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(Note) Refer to “2. Summary Information (Notes) (3) Changes in Accounting Policies or Estimates and Retrospective Restatements” on page 5 of the attached material for further details.

(4) Number of shares issued (common stock)

(i) Number of shares issued (including treasury stock)

9,909,400 shares as of September 30, 2015

9,909,400 shares as of March 31, 2015

(ii) Number of shares of treasury stock

326 shares as of September 30, 2015

326 shares as of March 31, 2015

(iii) Average number of shares during the period

9,909,074 shares for the six months ended September 30, 2015

9,909,074 shares for the six months ended September 30, 2014

* Presentation regarding status of quarterly review procedures

The consolidated financial results presented herein are not subject to the quarterly review procedure specified by the Financial Instruments and Exchange Act, and the review procedure for quarterly consolidated financial statements specified by the Financial Instruments and Exchange Act has not been completed as of the time of the release of this document.

* Explanations about the appropriate use of the consolidated results forecast and other noteworthy points:

(Note concerning forward-looking statements)

The forward-looking statements given above are based on data available at the time of the release of this document and assumptions that are deemed reasonable; they are not intended to be understood as commitments made by the Company. Actual results may differ from forward-looking statements due to various uncertain factors. For conditions assumed for operating results forecasts and precautions when using operating results forecasts, and the like, please refer to “1. Qualitative Information on Quarterly Financial Results, (3) Explanations on Future Forecast Information including Consolidated Results Forecast, etc.” on page 5 of the attached material.

(Obtaining supplementary briefing materials)

Supplementary briefing materials were available on the Company website on November 20, 2015.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanations on Operating Results

During the six months ended September 30, 2015, in the resort wedding business segment, following on from the opening of salons in Utsunomiya and Nagano in the three months ended June 30, 2015, the Group opened the Kyoto Shijo Salon in the Shijo area of Kyoto Prefecture, in August 2015. With this salon, we are specializing in consultations for domestic and overseas resort weddings to increase awareness and expand the market for resort weddings. Furthermore, we have worked to accommodate even more resort wedding guests by providing facilities that give guests a sense of hospitality, including “Aquagrace Chapel” in Okinawa, which we reopened in September 2015. The facility features a newly built “greeting cottage” that serves as a waiting room for attendees and a refurbished chapel and reception hall. However, the number of wedding contracts decreased overall owing to increased competition and waning interest in overseas travel as a result of yen depreciation.

Regarding the hotels and domestic wedding segment, we took measures to strengthen the banquet and accommodation businesses in addition to our mainstay wedding business. For the Meguro Gajoen, we have refurbished the banquet hall, and have worked to cultivate a new customer base through new concepts. In addition, for both Meguro Gajoen and Mielparque, we have worked to improve facility occupancy rates by attracting new customers and aggressively marketing banquets. As a result, both the banquet and accommodation businesses posted strong results.

As a result of the above, consolidated results for the six months ended September 30, 2015, were as follows: Net sales settled at ¥20,806 million, up 1.1 % year on year; operating loss amounted to ¥982 million (compared with an operating loss of ¥1,452 million for the same period of the previous fiscal year); ordinary loss amounted to ¥891 million (compared with an ordinary loss of ¥1,414 million for the same period of the previous fiscal year); and loss attributable to owners of parent totaled ¥1,104 million (compared with a loss attributable to owners of parent of ¥1,094 million for the same period of the previous fiscal year).

Segment performances are summarized below.

1) Resort weddings

Although we improved the unit price per couple, net sales fell 2.5% year on year, to ¥8,407 million due to a decline in the number of wedding contracts. From a profit and loss perspective, due to the profound effect of yen depreciation, the segment recorded a loss of ¥568 million (compared with a segment loss of ¥502 million for the same period of the previous fiscal year).

2) Hotels and domestic weddings

Net sales increased 3.7 % year on year, to ¥ 12,398 million, owing to strong sales of the banquet and accommodation businesses, while segment loss amounted to ¥404 million (compared with a segment loss of ¥964 million for the same period of the previous fiscal year).

(2) Explanations on Financial Position

Current assets of the Group at the end of the second quarter of fiscal 2015 stood at ¥7,594 million, ¥1,037 million less than at the end of the previous fiscal year, mainly due to a decrease in cash and deposits. Non-current assets amounted to ¥11,842 million, ¥258 million less than at the end of the previous fiscal year. As a result, total assets were down ¥1,296 million from the end of the previous fiscal year, to ¥19,436 million.

Current liabilities at the end of the second quarter of fiscal 2015 stood at ¥7,571 million, ¥353 million more than at the end of the previous fiscal year. This was primarily due to an increase in short-term loans payable. Non-current liabilities were ¥2,142 million, ¥408 million less than at the end of the previous fiscal year. This was attributable mainly to a decrease in long-term loans payable. As a result, total liabilities decreased by ¥55 million from the end of the previous fiscal year, to ¥9,713 million.

The balance of net assets settled at ¥9,722 million, down ¥1,240 million from the end of the previous fiscal year. This was primarily due to a loss attributable to owners of parent totaling ¥1,104 million.

(3) Explanations on Future Forecast Information including Consolidated Results Forecast, etc.

During the six months ended September 30, 2015, results were mostly according to plan, so there are no revisions to the consolidated results forecast announced on May 12, 2015.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2015

Not applicable

(2) Application of Special Accounting Treatment Peculiar to Preparation of Quarterly Consolidated Financial Statements

We calculate tax expenses by making a reasonable estimate of the effective tax rate after the application of tax-effect accounting to income before income taxes for the fiscal year that includes this second quarter ended September 30, 2015, and then multiplying income before income taxes by the estimated effective tax rate.

(3) Changes in Accounting Policies or Estimates and Retrospective Restatements

(Application of Accounting Standard for Business Combinations and related matters)

The “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) have been adopted from the beginning of the first quarter ended June 30, 2015. Under these accounting standards, the method of recording the amount of the difference caused by changes in the Company’s equity shares in subsidiaries, which the Company continues to control, was changed to one in which it is recorded as capital surplus. The method of recording acquisition-related costs was also changed to one in which they are recognized as expenses in the fiscal year in which they are incurred. In addition, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the allocation of acquisition costs arising from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the quarter in which the business combination took place. Furthermore, the presentation method for net loss was changed to loss and the presentation of minority interests was changed to non-controlling interests. To

reflect the relevant changes, the consolidated financial statements for the first six months of the previous fiscal year and for the previous fiscal year were restated.

The Company adopted the Accounting Standards for Business Combinations and related matters from the beginning of the first quarter ended June 30, 2015, following transitional treatment as stipulated in Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of Accounting Standard for Business Divestitures.

The impact of the adoption of these accounting standards on the Company's profit or loss is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2014 (As of March 31, 2015)	2Q of FY2015 (As of September 30, 2015)
ASSETS		
Current assets		
Cash and deposits	4,502	4,113
Accounts receivable-trade	1,626	1,520
Merchandise and finished goods	256	268
Work in process	23	17
Raw materials and supplies	471	494
Other	1,797	1,219
Allowance for doubtful accounts	(46)	(39)
Total current assets	8,631	7,594
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,236	4,068
Land	2,220	2,218
Other, net	1,383	1,332
Total property, plant and equipment	7,840	7,618
Intangible assets	640	575
Investments and other assets		
Guarantee deposits	2,845	2,720
Other	806	957
Allowance for doubtful accounts	(31)	(30)
Total investments and other assets	3,619	3,647
Total non-current assets	12,100	11,842
Total assets	20,732	19,436
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,532	1,490
Short-term loans payable	625	834
Advances received	2,363	2,564
Provision for bonuses	383	366
Other	2,314	2,314
Total current liabilities	7,217	7,571
Non-current liabilities		
Long-term loans payable	750	187
Net defined benefit liability	870	920
Asset retirement obligations	579	588
Other	351	446
Total non-current liabilities	2,551	2,142
Total liabilities	9,769	9,713

(Millions of yen)

	FY2014 (As of March 31, 2015)	2Q of FY2015 (As of September 30, 2015)
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	2,473	1,369
Treasury shares	(0)	(0)
Total shareholders' equity	10,687	9,583
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	92	93
Deferred gains or losses on hedges	162	11
Revaluation reserve for land	(920)	(920)
Foreign currency translation adjustment	800	822
Remeasurements of defined benefit plans	87	77
Total accumulated other comprehensive income	223	84
Non-controlling interests	52	54
Total net assets	10,963	9,722
Total liabilities and net assets	20,732	19,436

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income for the Six Months Ended September 30, 2015

(Millions of yen)

	Six Months of FY2014 (From April 1, 2014 to September 30, 2014)	Six Months of FY2015 (From April 1, 2015 to September 30, 2015)
Net sales	20,577	20,806
Cost of sales	7,308	7,378
Gross profit	13,268	13,428
Selling, general and administrative expenses		
Salaries, allowances and bonuses	4,940	4,892
Provision for bonuses	201	307
Retirement benefit expenses	111	78
Rent expenses	2,751	2,593
Other	6,714	6,539
Total selling, general and administrative expenses	14,720	14,410
Operating loss	(1,452)	(982)
Non-operating income		
Rent income	30	32
Foreign exchange gains	17	43
Other	30	42
Total non-operating income	78	118
Non-operating expenses		
Interest expenses	7	3
Other	33	22
Total non-operating expenses	40	26
Ordinary loss	(1,414)	(891)
Extraordinary losses		
Loss on sales and retirement of non-current assets	23	9
Loss on liquidation of facilities and stores	38	1
Total extraordinary losses	61	10
Loss before income taxes	(1,476)	(901)
Income taxes	(386)	198
Loss	(1,089)	(1,100)
Profit attributable to non-controlling interests	5	4
Loss attributable to owners of parent	(1,094)	(1,104)

Consolidated Statement of Comprehensive Income for the Six Months Ended September 30, 2015

(Millions of yen)

	Six Months of FY2014 (From April 1, 2014 to September 30, 2014)	Six Months of FY2015 (From April 1, 2015 to September 30, 2015)
Loss	(1,089)	(1,100)
Other comprehensive income		
Valuation difference on available-for-sale securities	28	0
Deferred gains or losses on hedges	59	(150)
Foreign currency translation adjustment	(35)	19
Remeasurements of defined benefit plans	8	(9)
Share of other comprehensive income of entities accounted for using equity method	1	(0)
Total other comprehensive income	62	(140)
Comprehensive income	(1,027)	(1,240)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,034)	(1,242)
Comprehensive income attributable to non-controlling interests	7	1

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six Months of FY2014 (From April 1, 2014 to September 30, 2014)	Six Months of FY2015 (From April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Loss before income taxes	(1,476)	(901)
Depreciation	809	792
Loss on liquidation of facilities and stores	38	1
Increase (decrease) in provision for bonuses	(168)	(17)
Increase (decrease) in net defined benefit liability	70	38
Interest and dividend income	(3)	(3)
Interest expenses	7	3
Foreign exchange losses (gains)	15	7
Decrease (increase) in notes and accounts receivable-trade	191	108
Decrease (increase) in inventories	70	(20)
Increase (decrease) in notes and accounts payable-trade	(410)	(41)
Increase (decrease) in accounts payable-other	(240)	86
Increase (decrease) in advances received	424	209
Other, net	40	24
Subtotal	(632)	289
Interest and dividend income received	3	3
Interest expenses paid	(7)	(3)
Income taxes (paid) refund	(193)	(10)
Net cash provided by (used in) operating activities	(829)	278
Cash flows from investing activities		
Purchase of property, plant and equipment	(876)	(360)
Proceeds from sales of property, plant and equipment	3	1
Purchase of intangible assets	(157)	(58)
Proceeds from sales of investment securities	1	—
Payments for guarantee deposits	(145)	(16)
Proceeds from collection of guarantee deposits	90	128
Other, net	(133)	15
Net cash provided by (used in) investing activities	(1,217)	(289)

(Millions of yen)

	Six Months of FY2014 (From April 1, 2014 to September 30, 2014)	Six Months of FY2015 (From April 1, 2015 to September 30, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	(90)
Repayments of long-term loans payable	(62)	(262)
Other, net	(24)	(21)
Net cash provided by (used in) financing activities	(187)	(374)
Effect of exchange rate change on cash and cash equivalents	(0)	(3)
Net increase (decrease) in cash and cash equivalents	(2,233)	(389)
Cash and cash equivalents at beginning of period	6,263	4,497
Cash and cash equivalents at end of period	4,030	4,108

(4) Notes on Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable

(Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity)

Not applicable

(Segment Information, etc.)

[Segment Information]

I. Six Months of Fiscal 2014 (From April 1, 2014 to September 30, 2014)

1. Information about Net Sales and Amount of Income or Loss in Each Reporting Segment

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Consolidated Statement of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	8,621	11,955	20,577	—	20,577
Intersegment sales and transfers	2,802	55	2,857	(2,857)	—
Total	11,423	12,011	23,435	(2,857)	20,577
Segment loss	(502)	(964)	(1,466)	14	(1,452)

(Notes) 1. The ¥14 million adjustment of segment loss includes elimination of intersegment transactions and elimination of unrealized income.

2. Segment loss is adjusted with the operating loss in the Consolidated Statement of Income.

2. Information about Impairment Loss for Non-current Assets or Goodwill, etc. in Each Reporting Segment

Not applicable

II. Six Months of Fiscal 2015 (From April 1, 2015 to September 30, 2015)

1. Information about Net Sales and Amount of Income or Loss in Each Reporting Segment

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Consolidated Statement of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	8,407	12,398	20,806	—	20,806
Intersegment sales and transfers	3,148	59	3,208	(3,208)	—
Total	11,556	12,458	24,015	(3,208)	20,806
Segment loss	(568)	(404)	(972)	(9)	(982)

(Notes) 1. The ¥(9) million adjustment of segment loss includes elimination of intersegment transactions and elimination of unrealized income.

2. Segment loss is adjusted with the operating loss in the Consolidated Statement of Income.

2. Information about Impairment Loss for Non-current Assets or Goodwill, etc. in Each Reporting Segment

Not applicable